No. 85-26

Supreme Court, U.S.
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IN THE

Supreme Court of the United States

October Term, 1984

ROL MFG. CO. and ROL MANUFACTURING (CANADA), LTD. and THE ROL MANUFACTURING COMPANY OF AMERICA, INC.,
Petitioners,
vs.
NICKSON INDUSTRIES, INC.,
Respondent.

BRIEF IN RESPONSE TO PETITION FOR WRIT OF CERTIORARI To the United States Court of Appeals For the Federal Circuit

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COUNTERSTATEMENT OF THE QUESTIONS PRESENTED

1. Whether the Court of Appeals for the Federal Circuit erred in reversing the District Court's patent invalidity determination?

2. Whether the Court of Appeals for the Federal Circuit erred in reversing the District Court's determination that this was an "exceptional case"?

3. Whether the petition sets forth any basis for review on a petition for writ of certiorari as set forth in Rule 17 of the Rules of this Court?

RULE 28.1 STATEMENT

Nickson Industries, Inc. has no parent, affiliated or subsidiary corporations.

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COUNTERSTATEMENT OF THE CASE

Nickson Industries, Inc. (hereinafter sometimes referred to as "Respondent") initially instituted the present action for infringement of one patent granted to it on an item of automotive exhaust hardware, namely a tailpipe hanger. This first action had been filed in the United States District Court for the District of Connecticut in 1981, and the complaint was amended in 1982 to include both Canadian corporate defendants, Rol Manufacturing Co. and Rol Manufacturing (Canada), Ltd., and to claim infringement of a second patent granted to Respondent on a second item of automotive exhaust hardware, namely a pipe support bracket. The first case was consolidated with a second action filed in 1982 in the District Court for the Central District of Florida against The Rol Manufacturing Company of America, Inc.

Petitioners stipulated to validity and infringement of U.S. Patent No. 4,209,155, relating to the pipe support bracket.

Petitioners also stipulated to infringement of U.S. Patent No. 4,004,768 (the hanger patent) by certain of their hangers, but defended on the grounds that the patent was invalid and argued that only some would infringe.

Following a trial on the merits, the district court filed an opinion in which the court found Respondent's hanger patent to be invalid. It also awarded Petitioners their attorneys fees after concluding that Respondent had withheld from the Patent Office material prior art which, had the Patent Office been made aware of it, would have resulted in its refusal to issue a patent.

Respondent appealed the decision to the United States Court of Appeals for the Federal Circuit on the grounds that the trial court had erroneously found the claims of the hanger patent to be obvious and the patentees conduct to be exceptional, and that it had erroneously failed to find that Petitioners had not sustained their burden of proof that the hanger patent was invalid or unenforceable and to find that Petitioners' infringement was willful and wanton.

The Court of Appeals for the Federal Circuit, following extensive oral argument and questioning of Petitioners' counsel, reversed the judgment of invalidity, vacated the award of attorneys fees, and remanded the case to the district court for further proceedings. In so doing, it concluded that there was no prior art which made the claimed combination obvious and that there was no conduct which warranted a determination of fraud or inequitable conduct.

Petitioners petitioned the Court of Appeals for the Federal Circuit for a rehearing, arguing that its decision reversing the district court's invalidity determination, incorrectly invaded the fact finding province of the district court, and that the Federal Circuit must have arrived at its own factual findings to reach the opposite conclusion from that reached by the district court.

On April 9, 1985, the Court of Appeals for the Federal Circuit denied Petitioners' petition for rehearing.

REASONS FOR DENYING THE WRIT

I. THE COURT OF APPEALS FOR THE FEDERAL CIRCUIT CORRECTLY FOUND THE PATENT NOT TO BE OBVIOUS

Although the Petitioners argue the correctness of the district court's finding of obviousness, they overlook the obvious flaws of fact and law in that decision. These were extensively briefed and argued before the Court of Appeals for the Federal Circuit; it is not Respondent's intention to iterate those flaws here.

Petitioners argue that the appellate decision conflicts with the decisions of this Court in, *inter alia*, *Graham v. John Deere Company of Kansas City*, 383 U.S. 1 (1965); *Sakraida v. Ag Pro, Inc.*, 425 U.S. 273 (1976); and *Anderson's-Black Rock, Inc. v. Pavement Salvage Co.*, 396 U.S. 57 (1969). Interestingly enough, they fail to note that the district court failed to even consider one of the criteria for evaluation of obviousness enunciated by this Court in *Graham v. John Deere*:

> Such secondary considerations as commercial success, long felt but unsolved needs, failure of others, etc., might be utilized to give light to the circumstances surrounding the origin of the subject matter sought to be patented. As indicia of obviousness or nonobviousness, these inquiries may have relevancy. (385 U.S. at 17)

The Court of Appeals specifically found that the district court opinion ". . . made no mention of secondary considerations" (Appendix A3).

They further misstate that the Court of Appeals (i) ". . . held the fact findings of the District Court not to be clearly erroneous" (Petition Page 4); and (ii) ". . . stated that the district court's fact findings were not clearly erroneous" (Petition Page 13).

In fact, they mischaracterize a conclusion which was only that the general observations of the district court concerning the differences between the claimed hanger and the prior art were not clearly erroneous:

> Although the district court's general observations regarding the differences between the claimed hanger and the prior art are not clearly erroneous, we disagree with its conclusion that those differences are insufficient to establish patentability (Appendix A3).

In reaching its decision of obviousness over prior art not considered by the Patent Office Examiner, the district court's opinion had made no comparison to determine if the newly applied and "undisclosed" prior art was more pertinent that cited to and considered by the Patent Office. The Court of Appeals found that such references ". . . do not establish obviousness, and in fact arguably are not as relevant as those cited to the Examiner" (Appendix A4). Such a comparison has repeatedly been held necessary by the Court of Appeals to overcome the presumption of validity under Section 282 of the Patent Statutes (Title 35, United States Code). See, *e.g.*, *Lindemann Maschinen GmbH v. American Hoist & Derrick*, 730 F.2d 1452, 1459 (Fed. Cir. 1984).

It should be noted that, at page 12 of their Petition, there is presented a drawing entitled "Admitted To Be Obvious Hanger." This drawing was first presented in the Petitioner's Brief in the Court of Appeals for the Federal Circuit. This contrived reconstruction had never been introduced at trial or previously argued. During oral argument, the Court of Appeals for the Federal Circuit questioned the propriety of Petitioners in presenting this reconstruction, but they have no qualms about again presenting a figment of their imagination which is not a part of the record.

II. THE COURT OF APPEALS PROPERLY FOUND THAT RESPONDENT HAD NOT COMMITTED FRAUD OR ENGAGED IN INEQUITABLE CONDUCT

As indicated hereinbefore, the Court of Appeals found flaws in the trial court's conclusions of fact and law and omissions in applying the relevant law. It concluded that the ". . . undisclosed references do not establish obviousness and in fact arguably are not as relevant as those cited to the Examiner" (Appendix A4). Thus, the key point underlying this aspect of the decision of the district court was found by the Court of Appeals to be in error.

The Court of Appeals further took exception to the district court's findings as to the alleged misrepresentations by Respondent and the district court's presumed requirements for the conducting of tests to support every factual statement in the specification (Appendix A4).

There is no error in the conclusions of the Court of Appeals.

III. THE COURT OF APPEALS HAS NOT VIOLATED THE "CLEARLY ERRONEOUS" RULE

Petitioners argue that the Court of Appeals has violated the "clearly erroneous" rule enunciated in Rule 52, Federal Rules of Civil Procedure. This is simply not the case.

First of all, the decision of the Court of Appeals amply indicates that the district court was in error as a matter of law. Clearly, it failed to apply properly all the criteria set forth by this Court in *Graham v. John Deere, supra*, or to accord proper weight to the presumption of validity set forth in Title 35, United States Code, Section 282.

Secondly, the "clearly erroneous" rule does not preclude an appellate court from reviewing the conclusion of "obviousness" under Section 103 of the Patent Statute (Title 35, United States Code). As stated by this Court in *Graham v. John Deere:*

> While the ultimate question of patent validity is one of law, Great A. & P Tea Co. v. Supermarket Equipment